

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 SWF-01 COME-00 OMB-01

TRSE-00 SS-15 SP-02 L-02 NSC-05 CIAE-00 INR-05

NSAE-00 PA-01 RSC-01 USIA-06 PRS-01 OPIC-03 STR-01

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R 042137Z DEC 74

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 5174

LIMITED OFFICIAL USE GUATEMALA 6595

E.O. 11652: N/A

TAGS: ETRD, GT

SUBJECT: RECENT DEVELOPMENTS IN BANANA EXPORT TAX ISSUE

REF: GUATEMALA 5322 AND PREVIOUS

1. DG CONGRESSMAN ROBERTO CARPIO NICOLE CALLED ON CHARGE DEC. 3, TO, IN EFFECT, COMPLAIN THAT DEL MONTE HAS BEEN ACTIVELY UNDERMINING HIS PROPOSAL ESTABLISH BANANA EXPORT TAX. ALTHOUGH CARPIO HAD FACTS SOMEWHAT TWISTED (MEMCON FOLLOWS), DEVELOPMENT WARRANTS COMMENT BECAUSE UNTIL NOW THERE HAVE NOT BEEN EVEN RUMORS OF COMPANY-GOG CONFRONTATION.

2. AS EMBASSY HAS REPORTED ON VARIOUS OCCASIONS, BOTH GOG AND COMPANY HAVE PLAYED EXPORT TAX ISSUE IN VERY LOW KEY. WHILE GOG WOULD WELCOME REVENUE FROM SUCH TAX, AND HAS ASSOCIATED ITSELF WITH OTHER PRODUCING COUNTRIES, IT IS RESOLVED NOT TO TAKE LEAD BY ADOPTING TAX SCHEME BEFORE ALL OTHER MAJOR PRODUCERS DO SO. GOG APPEARS REALIZE THAT TO ACT IN ADVANCE OF OTHERS WOULD JEOPARDIZE COMPETITIVE POSITION GUATEMALAN BANANA EXPORTS. DEL MONTE, FOR ITS PART, HAS REPEATEDLY TOLD GOG THAT (1) IT WILL NOT FIGHT ISSUE PROVIDED ALL OTHER MAJOR

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PRODUCING COUNTRIES ADOPT SCHEME AND (2) GUATEMALAN

LAW PREVENTS IMPOSITION OF EXPORT TAX WITHOUT CONTRACT RENEGOTIATION. FOR SOME MONTHS, BOTH PARTIES HAVE BEEN CONTENT LET ISSUE REMAIN ON BACK BURNER WHILE OTHER COUNTRIES HAMMERED OUT THEIR SCHEMES. GOG DID NOT PUSH TAX PROPOSAL IN CONGRESS (MUCH TO CARPIO'S DISGUST) AND DEL MONTE HAS NOT SOUGHT ANY CONCRETE ASSURANCES.

3. RECENTLY, HOWEVER, DEL MONTE APPARENTLY DECIDED TO TAKE A MORE ACTIVIST LINE. ABOUT 20 DAYS AGO, ACCORDING TO DEL MONTE OFFICIAL HERE, LOEB OF DEL MONTE HOME OFFICE CALLED ON PRESIDENT LAUGERUD STRESSING POINT THAT UNILATERAL IMPOSITION OF EXPORT TAX WOULD HURT GUATEMALA. HE REPORTEDLY REPEATED FOR LAUGERUD THE ARGUMENT THAT BECAUSE TAX WOULD PLACE GUATEMALAN BANANAS IN POSITION OF COMPETITIVE DISADVANTAGE COMPANY WOULD HAVE TO BOTH STOP PURCHASING FRUIT FROM INDEPENDENT GROWERS AND LIMIT ITS OWN PRODUCTION TO HIGHEST YIELDING ACREAGE. LOEB ALSO APPARENTLY DECLARED THAT BECAUSE GUATEMALAN LAW SEEMED TO FAVOR COMPANY, IN ORDER PROTECT SELF FROM STOCKHOLDERS, IF TAX WERE ADOPTED COMPANY WOULD HAVE TO TAKE MATTER TO COURT. COMPANY OFFICIAL CLAIMS THAT LAUGERUD WAS RECEPTIVE TO THESE ARGUMENTS, NOTED THAT HE HAD BEEN RECEIVING CONTRARY INFORMATION AND ADVISED DEL MONTE TO PRESENT ITS CASE PUBLICLY TO GUATEMALAN PEOPLE. ACCORDINGLY, DEL MONTE PREPARED EXPLANATORY MEMORANDUM AND DISTRIBUTED IT TO PRESS. ONE PAPER PUBLISHED IN FULL AND OTHER PARAPHRASED. THIS INCIDENT PROBABLY TRIGGERED CARPIO'S REACTION.

4. WHERE WE GO FROM HERE IS A DIFFICULT QUESTION TO ANSWER. IF LAUGERUD WAS AS FORTHCOMING TO LOEB AS WE HAVE BEEN TOLD, IT WOULD SEEM THAT THE ISSUE WILL REMAIN DORMANT. ON THE OTHER HAND THE GOG COULD NOW BE OPEN TO OPPOSITION CRITICISM OF COLLUSION WITH A FOREIGN COMPANY. WE WILL CONTINUE TO WATCH SITUATION.

DECONTROL AFTER 12/4/76
ANDREWS

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